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*The Salary Loan Business in New York City.* A report prepared under the direction of the Bureau of Social Research, New York School of Philanthropy. By CLARENCE W. WASSAM. With an Introduction by ROSWELL C. MCCREA and SAMUEL McCUNE LINDSAY. (New York: Charities Publication Committee, 1908. Pp. 143. \$0.75.)

This report which was made on the Russell Sage Foundation "forms part of a larger study of fiscal agencies that seem to exploit the necessities of the poor." The report is largely limited to a discussion of the salary loan business in New York City. A salary loan is defined as an "advance of money by an individual or corporation to a salaried employee," the security for which is an assignment of wages due or to become due (p. 14).

The author's principal sources of information were (1) personal interviews with "one hundred and thirty-two different employees who have had loans with different companies;" (2) personal interviews with managers of twelve different offices which (including their branches) represent "twenty of the most prominent offices in the city" (p. 13); (3) printed forms, contracts, etc., of several important offices; (4) newspaper advertisements.

It is obviously a difficult task to collect information concerning a business of this kind for which there are no public reports—a business moreover which is so looked down upon by the public that its transactions are "surrounded with secrecy" and that "it is impossible in most cases to know who owns the office, to secure a copy of the papers which the applicant signs, to secure the rates charged, or to ascertain the amount of cash received on an individual loan" (p. 61). Although the data upon which Mr. Wassam's study is based are altogether too meager for a thorough study of the problem, and one may doubt the adequacy of his estimates as to the extent of the salary loan business and the amount of capital invested, based as they are upon the number of advertisements in New York papers and the opinions of a few interested managers; still when the limitations under which the author worked are considered there is reason to commend him for having accomplished so much.

The scope of the book may be shown from the following partial list of topics treated: the need of salary loans and the motives

which impel borrowing; the nature of the loan contract and the methods adopted for its enforcement; charges made, including interest, commissions and collection charges; advertising methods; attitude of employers toward employees pledging their salaries to salary loan companies; effect of salary loans upon the borrower and upon his family; extent of business; laws, ordinances, police regulations and court decisions concerning the salary loan business; proposed remedies.

Salary loan companies advertise extensively by letters and in the newspapers. Their advertisements appear to be generally misleading. Referring to those of a number of prominent loan companies, Mr. Wassam says: "In no case has it been found that any of these companies permit a loan to be repaid in the amounts intimated in the above-mentioned advertisements" (p. 45). The heavy administrative expenses and large risks incident to a business of this kind where the loans are small and the security is poor would justify a comparatively high rate of interest. "In every state which has seriously attempted to regulate and not prohibit loans on salary the legal rate has ranged from  $1\frac{1}{2}$  to 3 per cent per month, depending upon the amount of the loan" (p. 28). Such considerations, however, are not sufficient to justify the exorbitant rates charged by the salary loan concerns of New York City—rates which seldom amount to less than 200 to 300 per cent (per annum) and which frequently amount to several times those figures. To such rates are often added commissions, collection fees and similar charges. "The promise of secrecy is prominent in all the advertisements" (p. 43). This promise, however, is seldom kept, and the loan companies find their principal weapon to enforce prompt payment of loans, or renewals at increasingly usurious rates, in the fact brought out in the investigation that "not a single employer was found who was not definitely opposed to having his employees borrow from a salary loan company" and "that a large number of establishments . . . discharge an employee when an assignment of wages is filed upon him by the loan company" (p. 79). An employee once discharged is often hounded from place to place by the loan company and prevented from getting a job elsewhere. Contracts of the most exacting character are required to be signed by borrower, and by from one to three

guarantors, often under the guise of being a "purely formal matter." "The application blank, bill of sale of salary, and power of attorney are the three legal documents which are always signed unless the power of attorney is so worded that the signature to the bill of sale is unnecessary" (p. 67). The power of attorney in some cases is so drawn as to authorize an agent of the company to do practically anything and everything which the borrower or guarantor could do in his own name (pp. 96 f.). Failure on the part of the borrower to make payment promptly at maturity is made the occasion to impose upon him and his guarantors all sorts of excessive charges for collection, protest, attorney's fees, etc. (p. 54 f.); and in the case of one large company having numerous branches the agreement appears to be so drawn as to purposely mislead the borrower with reference to the dates upon which payments are due. It should not be thought that all salary loan companies exploit their customers in these ways. "Some of the companies," says Mr. Wassam, "are very considerate and do all they can to help the borrower and only as a last resort use the assignment of wages as an aid in collection" (p. 59). The reader, however, would infer from the tone of the book that considerate salary loan concerns were the exceptions and that the consideration of the great majority of such money lenders might be expressed in the language of their famous counterpart in Elizabethan literature:

"The slaves are ours:' so do I answer you:  
The pound of flesh which I demand of him,  
Is dearly bought; 'tis mine and I will have it.

Mr. Wassam's book is the first important step in a campaign which is now being waged against the abuses of salary loan companies in a number of American cities, notably, New York, Philadelphia, Chicago and Cincinnati. It has already been an important factor in arousing public sentiment.

Cornell University.

E. W. KEMMERER.